CHAPTER - 1
INTRODUCTION

BRIEF HISTORY
Banking is the best form is as authenticated history. In India, references approximately banking behavior and law exist in out scriptures and ancient texts. for the duration of the Vedic instances (2000-1400 b.c.), money lending and ‘or debt are repeatedly referred to in the Vedic literature. During the smriti length, which discovered the Vedic duration and epic age, Manu the brilliant regulation giver of that time stated vaishs being profitable thru hobby. he determined that “a realistic guy ought to deposit his cash with character of proper family, accurate conduct, properly acquainted with the law, veracious, having money, many family, wealthy and honorable”.. he additionally talks about rules governing credit score hobby on loan to bankers, usurers, renewal of commercial papers, and so forth.
chanakya’s arthshastra (approximately 300 b.c.) is complete of statistics to reveal that there have been powerful guilds of service provider bankers in life who received deposits, superior loans and carried on the other banking functions. bhargava adds that bankers within the smriti period common deposits from the general public, granted loans towards pledges and private protection, granted simple loans, acted as bailee for his clients, subscribed to public loans with the resource of granting loans to king, acted as a treasurer and banker to the state and managed the foreign money of the us of the usa. a device of banks had moreover been devised as early as 2000 b.c. via the Babylonians. in ancient Greece and Rome, the exercise of granting credit score become appreciably frequent..
the bank of Venice, which changed into set up in 1157, is considered to be the most historical financial institution. in Florence, Monte became installed in 1336, and a public financial institution became set up in 1401 in Barcelona. for enjoyable the desires of traders, the financial institution of Amsterdam was set up in 1609 (and most European banks at that point have been fashioned on this version).
early records aside cutting-edge banking began with the goldsmiths of London in the seventeenth century, at that time cash turned into held in the form of gold and silver cash. Because the goldsmiths had outstanding sturdy rooms, people began maintaining their cash with them for safe preserving in return for a price. the goldsmiths used to problem receipts for the same which started to be transferred from one trader to another for settlement of money owed. on this way, the trader averted the hassle of retreating their coins from the goldsmith to make the charge to their creditors. the lenders, in flip, were stored from the need of having to deposit the identical with the goldsmith for safe keeping. to make such
transactions easier, the goldsmith started issuing receipts in convenient denominations and made them payable to bearer. The goldsmith soon observed that at a time handiest a small share of coin had been needed for making price, in order that they started lending the surplus cash and charging sure hobby for doing so. The goldsmith began entrusting reserves to the exchequer beneath the sanction and care of the king. Alas, King Charles II shut up the exchequer at some point and that triggered the ruin of the goldsmiths. But, this proved to be a turning factor in the history of English banking with the growth of personal banking and the financial institution of Britain in 1694. At this factor, it's miles pertinent to say that apart from the goldsmiths, the moneylenders and traders also had a robust role to play. Every of those become carefully concerned in dealing of money which in the ones days became inside the form of cash manufactured from treasured metals. Traders have been truthful human beings to who human beings gave their monies for secure maintaining. Additionally they issued receipts acknowledging their liabilities and venerated them when the receipts have been presented. Moneylenders in villages too lent cash to people on interest. This money changed into normally their personal, however from time to time, it also belonged to human beings with surplus cash who gave it to them. Moneylenders, accordingly, have become embryonic banks with the aid of serving as money debtors as well as moneylenders. As these cash changers transacted their enterprise sitting on benches they came to be called 'banks'.

In India our historic, cultural, social and financial elements have resulted inside the Indian cash market being characterized via the existence of both the unorganized and the organized sectors.

**Unorganized sector:** The unorganized zone accommodates moneylenders and indigenous bankers which cater to the wishes of a huge wide variety of people mainly within the rural regions. They had been meeting the financial necessities of the agricultural population for the reason that instances immemorial. Their significance can be gauged from the truth that Jagat Seths, hereditary bankers of the nawab of Bengal, have been diagnosed even through Aurangzeb and the East India agency who have been pressured to borrow from them also publicly commemorated them. The indigenous bankers are unique from the right banks in some of processes. As an example, they integrate banking sports with change whereas buying and selling is exactly prohibited for banks in the prepared area. They do not accept as true with in formalities or paper work for making deposits or chickening out cash. In reality, due to the fact a huge percent in their clients is illiterate, they regularly take a thumb have an effect on of their customers on a smooth paper. Despite the fact that they use a hundi as a negotiable device but it'll not be indicated on its face whether or not or now not the
transaction is supported by using valuable consideration or it's far merely due to mutual accommodation. the rate of interest charged by means of them fluctuates immediately with the want of the borrower and may now and again be as excessive as 300 in line with cent. They are insulated from all type of monetary and credit score controls as they fall outdoor the purview of the rbi. even though they are nevertheless the primary supply of finances for small debtors, but now their market has started out shrinking due to the fast enlargement of branches of banks in the unorganized sectors

**Organized sector:** the organized region of the coins marketplace accommodates specialized banking institutions like industrial improvement monetary organization of India (idbi), small industries development bank of India (SIDBI), and countrywide bank for agriculture and rural development (NABARD), export-import (EXIM) bank and national housing financial institution (nhb), that are the apex institutions of their respective fields. The idbi undertakes direct financing of big commercial tasks and refinancing of time period loans granted by other banks. sidbi modified into set up to offer finance to the small-scale industries while nabard appears after the goals of the agricultural and rural location. the imports the imports and exports of the united states are sorted by way of exim that's the apex frame for coping with overseas alternate. the industrial banks are the oldest institutions in the prepared money market. they have a large geographical network and enjoy superb public self assurance. this area additionally includes the general public zone banks, personal area banks and overseas banks as well as cooperative banks. some of the differences among the moneylenders (unorganized) and the banks (prepared) sectors have been summarized under below:

<table>
<thead>
<tr>
<th>Moneylenders (Unorganized sector)</th>
<th>Banks (Organized sector)</th>
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<tbody>
<tr>
<td>Lend from own savings</td>
<td>Lend from deposits received from public</td>
</tr>
<tr>
<td>Frequently combine banking with trading activity</td>
<td>Are prohibited from carrying on any trading activity</td>
</tr>
<tr>
<td>Usually charge very high rate of interest, rates fluctuates with the needs</td>
<td>Rate of interest are comparatively lower</td>
</tr>
<tr>
<td>Formalities/procedures for borrowing are bare minimal if at all</td>
<td>Paper work, formalities, procedures are much more stringent</td>
</tr>
<tr>
<td>Money has to be returned after a fixed period</td>
<td>Money has to be returned on demand.</td>
</tr>
<tr>
<td>No restrictions as to mode of demand or time and place</td>
<td>Demand can be made only through cheques, drafts, order, etc.</td>
</tr>
<tr>
<td>Does not provide other agency/general utility services</td>
<td>They provide a number of agencies and general utility services</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
<td>-----------------------------------------------------------</td>
</tr>
<tr>
<td>Hardly use any procedure or any technology</td>
<td>Usually all operations are computerized and use high Technology for most purpose.</td>
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</tbody>
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**BUSINESS OF BANKING**

Banks are institutions that accept various sorts of deposits and use those price range for granting loans. The enterprise of banking is that of an middleman between the saving and funding gadgets of the economic system. It collects the excess funds of tens of millions of person saves who're widely scattered and channelizes to the buyers. In easy terms, banks serve as a center man from the money surplus unit to be money deficit unit. They’re intermediaries, who switch budget from savers to buyers thru offers for business, trade, schooling, housing and different purposes. They perform the fundamental cause of intermediation through the following 4 transformation mechanisms.

**Liability-asset transformation:** the deposits of money that banks receive from the general public are transformed through them into assets along with loans and investments.

**Size transformation:** by way of growing a reservoir of budget from the numerous small deposits gathered from customers, banks offer huge loans to traders.

**Maturity transformation:** the liquidity preferences of borrowers and creditors fluctuate. Banks offer savers deposits in line with their legal responsibility options, and at the equal time banks offer loans to the debtors according their preferences.

**Risk transformation:** The risks to which savers are exposed, are distributed by the bankers through diversification.

**Meaning of Banking**

In step with section five(b) of the banking law act, 1949 “banking” means the accepting, for the cause of lending or funding, of deposits of money from the public, repayable on call for or in any other case, and with drawable by cheque, draft, order or in any other case. Banking organisation method any organization manner any employer which transacts the business of banking in India. No commercial enterprise company can keep on the industrial employer of banking in India until it uses as a part of its call as a minimum one of the phrases financial organization, banker or banking. Any agency that is engaged within the manufacture of goods or consists of on any exchange and which accepts deposits of coins from the public, honestly
for the purpose of financing its industrial agency, such manufacturer or dealer shall now not be deemed to transact the business of banking.

The essence of a banking agency is receiving cash on modern-day-day account as deposits from the general public, which can be repayable on name for and withdrawable by the use of cheque, draft order or otherwise. Capabilities of monetary group in keeping with segment 6 of the banking regulation act, 1949, the number one capabilities of a monetary institution are: the borrowing, elevating or taking over of cash the lending or advancing of money both upon or without protection; and drawing, making, accepting, discounting, shopping for, selling, accumulating and working in bills of trade, hundies, promissory notes, coupons, drafts, bill of lading, railway receipts, warrants, debentures, certificates, scrips and extraordinary in functions.

**Other functions:** Banks provide the following services:

- Carry out the standing commands of clients for making bills along with subscriptions, insurance top rate, rent, power and telephone payments, and so forth.
- Adopt authorities business like fee of pension, series direct tax and oblique taxes.
- Accumulate dividends, cheques, payments of alternate, promissory notes.
- Underwrite and deal in stock, price range, shares, debentures, and so on.
- Act as dealers for any authorities or nearby authority or any other person or people additionally keep on organisation enterprise of any description collectively with the clearing and forwarding of products, giving of receipts and discharges, and otherwise performing as an legal professional on behalf of clients, however except the business of a coping with agent or secretary and treasurer of a employer, agreement for public and private loans and negotiating and issuing the identical
- The effecting, insuring, ensuring, underwriting, participating in handling and carrying out of any trouble, public or personal, of country, municipal or unique loans or of stocks, stock, debentures or debenture stock of any organization, enterprise or association and the lending of coins for the cause of this sort of problem.
- Many banks additionally act as trustees, executors and administrators to undertake the supervision of investments and distribution of earnings on behalf of their clients.
- The issue of letter of credit score, worldwide cash orders, tourists cheques, overseas currency, circular notes and financial institution drafts.
- Safe custody services through provision of lockers and secure deposit vaults for secure maintaining of documents, cash, jewellers and so forth.
It’s far pertinent to say that services furnished by banks have gone through a sea change in recent years. The usage of internet technology has turn out to be a totally effective force changing the very core of conventional banking. Converting life and intense opposition have in addition enlarged the variety of offerings furnished through banks. A brief summary of capabilities finished by means of most industrial banks nowadays are given beneath for convenience, they had been grouped into number one, business enterprise and widespread application services.

### Functions of Commercial Banks

<table>
<thead>
<tr>
<th>Primary</th>
<th>Agency</th>
<th>General Utility</th>
</tr>
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<tbody>
<tr>
<td>Acceptance of deposits</td>
<td>Advancing of loans</td>
<td>Collection of interest, dividend, salary, pension</td>
</tr>
<tr>
<td>Saved</td>
<td>Loans</td>
<td>Buying/selling of foreign exchange Payment of rent,</td>
</tr>
<tr>
<td>Fixed</td>
<td>Overdraft</td>
<td>insurance premium, electricity and telephone bills,</td>
</tr>
<tr>
<td>Demand</td>
<td>Discounting of bills</td>
<td>Collection of cheques, promissory notes, bills</td>
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BANKER CUSTOMER RELATIONSHIP

The moment and individual opens an account with the banker, he becomes a customer of the bank. There exists a special relationship between the banker and its customer. To understand this relationship, it is important to know who is a banker and who is a customer.

#### 1.3.1 BANKER

A banker is one, who performs the enterprise of banking. The time period banking has already been defined earlier. Some of the salient features of this definition are as follows.

- A banking company need to carry out both of the essential features, viz (a) accepting of deposits, (b) lending or making an investment the identical if the purpose of accepting of deposits isn’t always to lend or invest, the enterprise will no longer be called banking commercial organization. The cause to segment five(c) makes it smooth
that any business company it truly is engaged in the manufacture of gods or carried on any change and which accepts deposits of money from most people.

- simply for the cause of financing its enterprise as such isn't deemed to transact the enterprise of banking the banker accepts deposits of cash and not of some aspect else. the word public way that banker accepts deposits from everyone who's capable of contracting and who gives his/her money for such motive.

- the definition also specifies that point and mode of withdrawal of deposits. the depositor need to make a call for for retreating her/her cash. the call for ought to be made in a proper manner and via an device in writing and no longer simply by way of verbal order or a telephonic message.

- the banker is, as a result, an intermediary and offers with cash belonging to the public. some of other establishments which also deal with cash aren't special as banking preparation because they do no fulfil all of the above cited stipulations customer there may be no statutory definition of the term purchaser. but, the prison decisions on the problem throw a few mild at the which means of the time period. as any such client is described as humans who opens a deposit or current account or negotiates an improve on modern-day or mortgage account. thus, a person who goes to encash a bearer cheque inside the financial institution, or visits a bank to deposit software money for allotment of shares of a organization shall not be termed as a client. dr. hart defines a purchaser as “one who has an account with a banker or for whom a banker habitually undertakes to behave as such”, a person (whether or not an man or woman, firm, enterprise, society or any prison entity such as a central authority department and a agency incorporated by means of , or beneath any law) is stated to be a customer of the bank while his managing the bank related to the commercial enterprise of banking, i.e. accepting of deposits and lending of cash. so if a person goes to the bank for some other purpose like charge of income tax, application bills, etc, he'll no longer be taken into consideration a patron of the financial institution. to represent a purchaser, someone should

- open a financial institution account – saving, cutting-edge or constant deposit, in his name through making essential deposit of cash, and

- the dealing between the banker and consumer must be of the character and banking commercial enterprise. relationship among banker and patron
The general dating among banker and patron is that of debtor and creditor. Now and again, the banker acts as an agent or trustee additionally. Dating as debtor and creditor: the instant the client opens an account with the banker, he grows to be debtor of the customer and the client becomes his creditor. The banker is then positive to move back an equal sum of money, through manner of paying a comparable sum to the depositor whilst his is asked for it. The debtor creditor relationship among banker and customer is not like comparable dating in other industrial transactions within the following respects: The creditor ought to name for rate. In case of normal industrial debt, the debtor repays the cash on the required date, or as in keeping with the phrases of the agreement. But in case of deposit in the bank, the debtor/banker is not required to pay off the quantity on his personal accord. The depositor/creditor should make a call for the price.

Demand should be made in the right way. The withdrawal ought to be affected thru an order, cheque and draft or in any other case. Nowadays’ bankers also make bills while requested through digital cheques, atm, credit score cards and debit cards.

Proper region and time of call for: If the fee isn't being demanded via electronic mode, then the consumer/creditor has to make the call for on the proper place and right time. In other phrases, he can demand charge handiest from that branch of the financial institution, wherein he has an account and that too in the course of running hours on a working day. In ordinary industrial transaction, money can be demanded every time and everywhere.

**Bank as Trustee**

Underneath certain occasions, bankers input into fiduciary courting of a trustee with their clients. A trustee holds money or assets and plays sure functions for the advantage of some other person referred to as the beneficiary. For instance, while an banker gets valuables for secure custody, he acts as a trustee. This property does now not bypass on to the banker and it isn't available for distribution among his popular lenders in case of liquidation.

**Bank as Agent**

A banker acts as an agent of his customer in many methods ex., whilst he buys or sells securities or makes or makes payment of various dues of his customers, or collects cheques on his behalf. In all these cases, the banker acts as an agent of his purchaser.

**BANK DEPOSITS**

It's far the taking of deposits and granting of loans that unmarried out a bank. Those are the core sports of a financial institution. First of all, all accounts are opened with a deposit of cash by the client and hence these accounts are called deposit money owed. Public deposits comprise the important proportion of a financial institution running budget that are used by
and large to make loans and advances and to buy securities. The scale of deposits is a truthful mirrored image of the self belief, reposed with the aid of the public in that bank. The boom and prosperity of a financial institution depends on how they may be controlled to maximize profits. The banker solicits deposits from the individuals of the public belonging to one of a kind walks of life, engaged in sever financial activities. The nature of banking facility sought by using them, therefore, varies broadly, eg., some want to earn interest, some want their money to be secure, others use banking centers for carrying out business. As a result, distinctive types of bills with diverse facilities and privileges are offered by means of banks to their customers. Banks be given various sorts of deposits, which can be usually labeled as demand or time deposits.

**Demand deposits:** call for deposits are the ones in which clients count on with a purpose to withdraw money at each time. The ones encompass financial financial savings deposits and deposits in modern-day money owed. Time deposits: any deposit which isn't repayable on call for is a time deposit, eg., a fixed deposit. Constant deposits: a difficult and rapid deposit is an account with the banker, it's repayable on the expiry of a delegated period, that's why such deposits are also called time period deposits. They're a actual saving medium. The banker can make use of such quantities extra profitably because he's privy to before hand while this money may be demanded.

As a result, a miles better rate of interest is offered to the patron on such deposits. Those deposits have exclusive adulthood durations and the fee of hobby is proportionate to the adulthood duration. at the same time as character deposits coins with the banker on a hard and fast deposit, a deposit receipt is given to him with the resource of way of acknowledgement for the quantity deposited.

This residue receipt is not a negotiable device. but, it can be assigned furnished due observe of task is given to the banker. Saving economic group debts: such debts are commonly maintained by using manner of folks who want to keep a part of the contemporary earnings to satisfy the destiny dreams and additionally to earn hobby thereon. The need of keeping coins reserves in opposition to such deposits is comparatively greater in contrast to constant deposits however smaller as in opposition to trendy deposits.

The banker can pay hobby against those bills to the customers although at a lower rate than in case of fixed deposits. interest is permitted on minimum balance as at the close of any day among the 10th and the final day of every calendar month. The consumer has to keep a minimal balance in his account. there may be a restriction as to the quantity of withdrawals
he can make. a cheque e-book is issued to customer to withdraw money and statistics of the transactions are maintained in a passbook or thru a monthly bank declaration.

**Current account:** such money owed are opened by means of businessmen/company who do no longer need any restriction at the operation in their account. it's far strolling and energetic account and the banker is under an responsibility to repay those deposits best whilst the patron needs payment via a cheque, card or in any other case, and that’s why those are termed as call for liabilities. commonly, a far higher degree of minimal balance has to be maintained by using the purchaser in this account. he's issued with a cheque book and a pass ebook, however no interest is paid to him on these deposits. in reality, he has to pay financial institution costs to the banker for maintaining this account for him. smooth or secured overdraft centers are also granted in opposition to such bills. banks also extend loose outstation cheque collection facility and problem of call for drafts to such money owed holder. **Reserve Bank of India**

Maximum relevant banks start existence as commercial banks with obligation for special duties. the present day principal bank is a government in group, and does now not compete with banks working in the private quarter. the importance of relevant banking institution has won recognition as a pacesetter bank and image of financial interest in maximum civilized international locations of the arena. most imperative banks are generally chargeable for economic control, and further are concerned in prudential regulation and setting authorities debt on the maximum favorable phrases. the reserve financial institution of india, the relevant bank of our u . s ., changed into hooked up in 1935 under the aegis of reserve financial institution of india act, 1934. it changed into a non-public shareholders organization till january 1949, after which it have become a nation-owned group below the reserve bank of india act, 1948. it's far the oldest significant financial institution some of the growing countries. as the apex bank, it has been guiding, tracking, regulating and selling the destiny of the indian economic machine.

**Objective of Reserve Bank of India:** it's far state-owned orgabization, that functions as a company frame with special powers and responsibilities for serving the country wide interest. it pursuits to trouble banks notes and keep reserves so that it will comfy economic stability inside the country, to perform the foreign money and credit system. it plays a lead position inside the development of a legitimate economic gadget, which displays countrywide and economic priorities, and guarantees that economic transactions can be adequately and successfully achieved. because of the atypical nature of the growing economic system, the
bank has also acquired extra duty to render regulatory, supervisory, developmental and promotional features.

**Functions of Reserve Bank of India:**

**Monetary function:** RBI has played an important role in the development of money and capital markets in India through its various monetary functions discussed hereinafter.

- **Note issuing authority:** RBI has the sole proper to trouble forex notes (excluding one rupee observe and cash which can be issued with the aid of the finance secretary to the government of India) within the following denominations Rs.10, 20, 50, a hundred, 500, and 2000. Those notes inclusive of one rupee notes and coins are limitless legal soft during India. The branch for issue of notes is referred to as the problem branch, and is break free the banking branch which performs the overall banking commercial enterprise. The problem department problems financial institution notes against the security of gold coins and bullion, overseas securities, rupee coins. Authorities of India rupees securities and such payments of trade and promissory notes as are eligible for purchase by way of the financial institution. The combination value of gold coin and bullion became no longer purported to be much less than 40 percent of those assets but after 1956, this system became abandoned, and a minimal cost of total permitted property came to be adopted as a cover for word issue.

- **Bankers bank and lender of the last resort:** The RBI controls volumes of reserves of all business, cooperative and nearby rural banks the dedication of ability to create deposit/credit score advent is with the aid of the RBI. The RBI is also linked with appointment of leader executives of those banks and has installation an self reliant department of supervision to make sure sound banking practices. In times of need the banks borrow budget from RBI and subsequently it is known as the banker of ultimate resort/lender of last resort. It presents accommodation to scheduled banks via (i) rediscounting or buy of eligible bills together with business bills, bills for financing agricultural operations, cottage and small-scale industries, payments for containing or trading in authorities securities and foreign bills and (ii) loans and advances in opposition to sure securities which includes stocks, finances and securities aside from immovable belongings, gold or silver or files of identify to the identical, such payments of trade and promissory notes that are eligible for buy or cut price via the RBI as stated in advance or guaranteed with the aid of the nation authorities as to the reimbursement.
• **Banker to the government:** the RBI is the banker to important and state governments. It affords all banking offerings inclusive of recognition and withdrawal of deposits, making and amassing bills on behalf of the government, transfer of budget and control of public debt. It receives authorities deposits freed from interest and does no longer get hold of any remuneration for transacting normal business of the government but; it can rate a fee for control of public debt. RBI is also authorized to make methods and way advances (i.e. brief advances made to bridge the temporary hole among receipts and bills) to each imperative and kingdom governments, that are repayable inside 3 months from the date of creating the development.

• **Custodian of foreign exchange reserves:** beneath section forty of the RBI Act, the RBI is required to maintain the steadiness of the external value of the rupee. For this all foreign exchange reserves such as gold, overseas property and authorities balances held abroad, are centralized with the RBI. All forex receipts and payments are required to be transacted through RBI or its authorized dealers. Besides preserving the official charge of trade in which all overseas transactions are performed, the reserve bank administers the trade controls of the country via performing as the custodian of India’s reserve of international currencies.

• **Control of Credit:** the reserve financial institution of India functions because the controller of credit score with the aid of regulating the first-rate of credit score, and the charge at which it's far made available it physical video games control over the credit score granted thru the economic banks with the aid of (i) converting the statutory requirements regarding renovation of liquid property via specifying the statutory liquidity ratio. In line with section 24 of the banking law act, 1949, each banking agency in India is needed to preserve cash, gold or unencumbered commonplace securities same to an amount which isn't an awful lot much less than 25 percent of its time and phone for liabilities at the near of commercial enterprise on any day.

• (ii) by the use of issuing directive underneath phase 21 of the banking regulation act pertaining to the motive of advances for which they'll be made available, the most amount to the advanced to any borrower, the maximum amount as a whole lot as which guarantee can be given and the margins to be maintained in case of secured assets. Non-economic capabilities: besides performing the conventional competencies
of a fundamental economic institution, the reserve monetary organization of india additionally plays the subsequent capabilities.

- **Collection and publication of data:** the reserve financial institution of india has a separate branch of information for gathering compiling and disseminating statistical facts and conducting studies related to financial institution and different monetary sectors of the financial system together with deliver of money, credit score banking operation and forex

- **Regulatory and supervisory function:** the reserve financial institution of India act and the banking law act have both conferred sizeable powers of rules and supervision to the rbi over business and cooperative banks to check malpractices and defend hobbies of the traders. the rbi offers licenses without which no banking business may be began. it's miles empowered to carry out periodical inspection and auditing, take a look at department enlargement programmes, and also has strength for obligatory amalgamation of vulnerable banks to improve their operational efficiency.

- **Development and promotion function:** the RBI has been assisting improvement and selling saving and banking behavior. Development of the institutional agriculture and other rural activities has been a place of cognizance right from its inception. it has additionally constructed up monetary institutions thru improvement of institutional commercial finance. The cooperative credit motion has also no longer been disregarded through the RBI. It has also set up some of education institutes for education special classes of financial institution employees.

**Management:** the financial institution is controlled by means of relevant board of directors, which exercises ordinary control. the valuable board accommodates the governor, 4 deputy governors and fifteen administrators nominated through the critical authorities. The directors of four neighborhood boards at Delhi, Kolkata, Chennai and Mumbai advise the central board. there is additionally a committee of the central board of administrators. other than the banking and difficulty departments, there are at gift twenty other departments and three education institutions at the centr5al office of the financial institution. the top office of the reserve bank is at Mumbai

**COMMERCIAL BANKS**

In the organized zone of the cash marketplace, business banks and cooperative banks had been in existence for the past numerous many years. a commercial bank is administered on industrial line this is to earn earnings unlike a cooperative financial institution that's run for
the benefit of a set of members of the cooperative body, e.g., a housing cooperative society. The
industrial banks are unfold across the period and breadth of the country, and cater to the
short-term desires of enterprise, alternate and trade and agriculture not like the developmental
banks which attention on lengthy-time period needs. these days the industrial banks also
appearance after different wishes in their customers such as long-time period credit
requirements.

the banking sector has been present process drastic metamorphosis. the fast development
witnessed in the realm of banking services has been engineered by the trends in globalization,
liberalization and privatization. the technological revolution and demographic modifications
have also helped to change the face of banking in India. more banks are switching over to
virtual banking from the brick and mortar banks, and are presenting a substantial array of
products through very revolutionary channels and at pretty aggressive expenses. banks are
now unfastened to cite their very own interest fees on loans/advances and term deposits. they
now should control their investments and loans portfolios based totally at the international
norms and practices of danger management such as asset liability management.

Business banks working in India can be classified into public region, non-public sector, and
Indian or overseas banks relying upon the ownership, control and manipulate. They may
additionally be differentiated as scheduled or non-scheduled, certified or unlicensed.

SCHEDULED BANKS

scheduled bank way a bank blanketet inside the 2nd time table of the reserve financial
institute of India act, 1934. a financial institution is included on this schedule if
1. Its miles wearing on the commercial enterprise of banking in India.
2. Its paid-up capital and reserves are not less than rupees 5 lakhs.
3. it's far (i) a kingdom cooperative bank
   (ii) a organization as described within the groups act of 1956
   (iii) an institution notified through the valuable authorities in this behalf.
   (iv) a agency or business enterprise incorporated by, or underneath any law in pressure in any
area outside India.

all nationalized banks and almost all of the personal sector banks are business scheduled
banks in India. foreign banks are also scheduled banks in India. eg. Canara financial
institute, syndicate bank, hdfc, icici, abn amro, hsbc and so on. Because 1965 the country
cooperative banks have additionally been made eligible to be covered within the 2d
scheduled. At present scheduled commercial banks consist of 28 public banks, nine non-
public zone banks, 20 antique non-public sector banks and 31 overseas banks. a scheduled
bank enjoys sure privileges like becoming eligible for availing the facilities of lodging from the reserve financial institution, dealing in Forex, and so on. it also has certain obligations like maintaining statutory reserves with the reserve financial institution.

**NON-SCHEDULED BANKS**

the ones banks which are not covered in the 2d schedule of the reserve bank of india act are termed as non-scheduled banks. normally they're small sized establishments which limit their sports to nearby regions. their paid-up capital and reserves do now not mixture as much as greater than rupees 5 lakhs. their banking activities also are restrained, eg., they can't deal in foreign exchange. the classification of indian industrial banks into scheduled and non-scheduled banks had importance prior to nationalization however now nearly all industrial unscheduled banks were weeded out. their role has emerge as infinitesimally small in terms of deposits in addition to quantity of branches. it carries little realistic meaning except that of educational hobby.

**Licensed Banks**

no financial institution can carry on the enterprise of banking except it holds a license granted by way of the reserve financial institution of India. provisions concerning licensing are contained in section 22 of the banking regulation act, 1949. a license is generally granted if the rbi is happy that the bank has the potential to pay its depositors as and while their claims accrue, and that its operations are not destructive to the hobbies of the depositors. Licensing is accomplished to make certain that the working of man or woman banks improve, and that the weaker and unsound ones can be weeded out. licenses may be cancelled at any time if the rbi feels that the affairs of a financial institution aren't being carried on in a excellent manner.

**PUBLIC SECTOR BANKS**

the public zone banks comprise 10 nationalized banks, the country bank of India and its 7 associates. till 1955 they were was once most effective private business bank other scheduled or non-scheduled, certified or unlicensed, overseas or Indian, they have been all owned and managed via private marketers and shareholders there were 3 phased of financial institution nationalization. first became in July, 1955, whilst authorities of India nationalized the imperial financial institution of India to create the country bank of India. it become pioneering strive in introducing public zone banking within the united states of America. in 1959, eight nation banks of erstwhile princely states have been additionally nationalized to form the subsidiaries of the nation financial institution of India. However now most effective seven of them are in existence, since the kingdom banks of Bikaner and Jaipur have been merged. the second segment of public zone banking got here into life whilst 14 important
industrial banks were nationalized on July 19, 1969. This was completed with the view to serve the wishes of development of the economy in conformity with national priorities and targets. on april15, 1980, six extra non-public sector banks had been nationalized. This caused the dominance of public area banks as nearly 90 percentage of the banking interest in the us of a was brought into the public region. most people commonly depend on nationalized banks backed by means of the government. the public sector banks had been socially managed and publicly owned. it changed into carried out with the objective of giving a professional bent to bank management and provision of good enough credit score for agricultural and rural sector, small industries, exports and a brand new elegance of marketers. It additionally aimed to professionalize bank control via adequate training of financial institution body of workers. in appreciate, it appears that political motives ruled the selection approximately the two nationalizations. huge-scale branch enlargement, mass recruitment of body of workers to take banking to grass roots level, direct investments and credit score programmes, administered hobby price regime, credit score dispensation toward poverty comfort programmes through mortgage food, and so forth., dominated the roost inside the Indian banking scene for over two many years. however, whilst faced with stiff competition from personal zone and overseas banks, the general public quarter banks have reinvented themselves, and feature markedly stepped forward their offerings and operational effects. 

Private Sector Banks

Non-public zone banks have existed for over a century in India. previous to the first major nationalization in 1969, personal capital referred to as the pictures in industrial banking. The Tatas owned the critical bank of India; the Birla’s the united industrial bank and so on. Following the tips of the Narasimham committee on economic quarter (1991), the reserve financial institution of India issued guidelines for the putting in place of latest private quarter banks in India in January, 1993. it became hoped that those financially viable, technologically sound and professionally managed banks will infuse greater competition and right the complete banking region to a whole lot higher ranges of productivity and efficiency. at present, there are 21 old non-public region banks and 9 new non-public zone banks. the recommendations of the rbi for the entry of private area banks are as follows:

**Formation:** this sort of financial institution will be listed as a public limited corporation below the businesses act, 1956. it will likely be ruled via the provisions of reserve bank of India act and banking regulation act. the choice regarding licensing and inclusion underneath 2nd time table of the rbi shall be final. at the time of granting of licenses choice can be given
to those banks which advise to have their headquarters located in a centre, which does no longer have headquarters of some other bank. the voting rights of person shareholders shall be governed by the ceiling of 1 percent

**Operations:** the bank ought to look at priority zone lending goals as relevant to different banks, although some adjustments in their composition may be allowed by the rbi inside the preliminary 3 years. rbi instructions with admire to export credit can even need to be complied with. for at least three years after its established order they'll no longer be allowed to set up a subsidiary or mutual fund.

**Opening of Branches:** department licensing shall be governed by the prevailing policy wherein banks are loose to open any branches without earlier approval of the rbi, in the event that they satisfy capital adequacy and prudential accounting norms. if the rbi so directs, they might be required to open branches in rural and semi-urban regions.

reserved tips issued through the rbi in January 2001 added in some modifications. the main adjustments are

- Minimum paid-up capital for a new bank need to be rs.two hundred crore which will be improved to rs.300 crores in subsequent three years after graduation of commercial enterprise.
- A non-banking monetary enterprise may additionally convert right into a industrial financial institution, if it glad the prescribed standards.
- A large industrial house have to no longer sell any new financial institution.
- desire would take delivery of to promoters with know-how of financing precedence regions, and in setting up banks specializing within the financing of rural and agro-primarily based industries.

**LOCAL BANKS**

To meet the long standing need of developing a decentralized banking system, the union budget 1996-97 announced a very important policy measure regarding the development of commercial banking in India, namely, the setting up of local areas banks as commercial banks in the private sector. It was hoped that the large number of problems faced by RRBs and other commercial and cooperative banks would be addressed by the local area banks especially in the rural areas. those banks were as a consequence installation with the twin goals of (i) providing an institutional mechanism for selling rural and semi-urban financial savings, and (ii) for supplying credit score for possible economic sports in the nearby regions. Those banks were mounted as public restrained corporations inside the non-public quarter and had been promoted by way of either character, corporate, trusts or societies.. The
minimum paid-up such banks was five cores with promoter’s contribution at least rupees two crore. Unlike the RRBs which can operate in many districts with large number of banks, the local area banks can operate and open branches in maximum of three geographically contiguous districts. The local area banks are governed by provisions of the RBI Act, 1934, the Banking Regulation Act, 1949 and other relevant statutes. They are to be registered as a public limited company under the Companies Act, 1956. The concept of the local areas banks has remained a non-starter. There were only five such banks in 2003, and their assets amounted to only rupees 119 cores and rupees 146 crore in 2001-02 and 2002-03, respectively. Most of them had moderate to high credit-deposit ratios, and they were generally profitable.

INDIAN BANKS

as discovered earlier, banks in india may be industrial banks integrated as joint stock agencies, public zone banks or cooperative banks or regional rural banks or overseas banks. Indian banks function nationally through a huge community of branches. Because, they have got a big and varied clientele with a diverse spectrum of need, the Indian banks specialize in extraordinary geographical areas city and rural, different sectors enterprise each large and small, agriculture, change, housing, exports, and so forth. but, they all inside the organized region come below the purview of the rbi act and the banking regulation act. the primary electricity of the Indian banks is their full-size wide variety of employees who are nicely conversant with the social and cultural material in their customers. The Indian banks through and big consciousness on middle banking operations. in addition they strictly comply with the rbi suggestions as to liquidity requirements, interest costs and priority zone lending amongst other provisions.

FOREIGN BANKS

Until the 1950s they have been referred to as trade banks due to the fact they by myself transacted most of the import and export financing business of india. the overseas banks are branches of joint inventory companies incorporated abroad, but working in India. they're foreign in origin, and have their head office placed in their determine united states of America. many foreign banks opened their places of work, and multiplied branches after the hole ip of the Indian financial system within the Nineteen Nineties. these banks created a completely new gambling field inside the banking quarter via their range of products and services together with atms, electronic offerings, credit score playing cards and portfolio management. They provide overseas currencies for bona fide reason like exchange, travel or for observe abroad. most foreign banks have a very strong figure financial institution
dedication, superior generation and provide a totally high stage of customer service. this has ended in very strong performances of these banks each inside the retail area (home loans, credit score playing cards, distribution of 0.33 birthday party merchandise including mutual budget and coverage offerings) in addition to the company area (derivatives, based merchandise, different risk management products and the debt capital markets).

**Licensing of foreign banks:** so that you can operate in India, the overseas banks must reap a license from the reserve bank of India. for granting this license, the subsequent factors are considered:

- Monetary soundness of the bank
- Global and domestic usa rating
- Monetary and political members of the family between home u.s. and india
- the financial institution must be below consolidated supervision of the home u.s. regulator.
- the minimum capital requirement is 25 us million dollars unfold over three branches 10 million each for the first and 2nd department and five million for the third department
- both branches and atms require licences and those are given through the rbi in conformity with wtos commitments.

**Functions of foreign banks:** the principle business of overseas banks is the financing of India’s overseas trade which they can handle maximum successfully with their widespread sources. these days, recently, they've got made massive in roads in inner trade collectively with deposits, advances, discounting of payments, mutual fee range, atms and credit score rating playing cards. a big part of their credit score score is extended to massive corporations and mncs located essentially inside the tier one towns especially the metros, even though some banks are in reality foraying within the rural location as well. generation utilized by those banks has been a high driver of alternate inside the Indian banking industry.

a quite knowledgeable and green staff and the big pool of capital belongings at the disposal of those banks have created excellent goodwill and standing of foreign places banks in India. other than their fundamental agencies, overseas banks are also instrumental in shaping the attitudes, perceptions and suggestions of foreign governments, company and different clients towards india, mainly inside the following areas: bringing together overseas institutional traders and indian businesses organizing joint ventures

Structuring and syndicating challenge finance for telecommunication, energy and mining sectors. Presenting a thrust to alternate finance via securitization of export loan introducing new generation in statistics control and statistics systems. universal performance: foreign
banks aren't issue to the stringent norms concerning starting of rural branches, priority zone lending or certain through manner of the social philosophy of Indian banks. the ones elements mixed with the financial technical and human assets of the foreign banks have ensured a healthful increase of those banks in India.

**INDIAN BANKS VS. FOREIGN BANKS**

The structure, scope, nature of banking activities as well as the RBI norms for the Indian and foreign banks differ in a number of respect the following table highlights the main differences between Indian and foreign banks.

<table>
<thead>
<tr>
<th>Indian Banks</th>
<th>Foreign Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is joint stock company incorporated in India</td>
<td>It is the branch of a joint stock company incorporated outside Indi</td>
</tr>
<tr>
<td>Area of operations extends to whole of India</td>
<td>Operations are concentrated in metros and tier one cities</td>
</tr>
<tr>
<td>Operations are mostly local</td>
<td>Operations are international.</td>
</tr>
<tr>
<td>Cater more to middle and lower income groups.</td>
<td>Focus more on high income groups, large corporate and MNCs.</td>
</tr>
<tr>
<td>Income is more from core banking operations</td>
<td>Income is more fee based and from new products like credit cards, ATMs</td>
</tr>
<tr>
<td>Main strength lies in their huge number of branches and the number of employees.</td>
<td>Main strength lies in their technology and vast capital resources as well as their networking</td>
</tr>
<tr>
<td>Obtaining a licence from RBI is comparatively easier.</td>
<td>It is more difficult to obtain a licence from RBI</td>
</tr>
<tr>
<td>RBI norms regarding NPAs, rural sector branches and social responsibility, etc. are more stringent.</td>
<td>These norms are comparatively more lenient.</td>
</tr>
</tbody>
</table>

the entry of private area banks and foreign banks has better efficiency and productiveness of the public sector banks. the opposition in the banking sector has intensified due to which there has been a rapid growth in product innovations and modifications in commercial enterprise strategy. the percentage of private sector banks and foreign banks in total belongings, which turned into less than 10 percentage on the inception of reforms, has step by step improved to about 25 percent on the give up of march 2005. These banks have also
forced different banks to herald new generation to try and improve their marketplace proportion.

**REGIONAL RURAL BANKS**

19 nearby rural banks were installation by using the government of India beneath the local rural banks act of 1976 with the particular purpose of offering credit and other facilities to the small and marginal farmers, agricultural labourers, artisans and small marketers in rural regions. the then present credit organizations, particularly, the cooperative and commercial banks, had been unable to meet the necessities of the agricultural human beings in general and the agricultural terrible mainly. the cooperative banks had a susceptible structure, and had been closely based upon the rbi. they have been not able to mobilize assets or provide put up-credit score supervision or recover loans. Although the industrial banks did now not proportion these shortcomings, but because of their city orientation, they were now not acquainted with the local customs, thinking styles or troubles, and so couldn't understand their needs. at the same time because of high overheads, they could not offer cheap credits. 

at present there are 196 rrbs in India, 29 of that have a bad net really worth of approximately rs.1800 crore. They've a community of 14,519 branches with an average credit score deposit ratio of much less than 60 percent. rrbs are operating throughout 518 districts in 26 states.

shape: rrbs were at the same time installation with the aid of way of the authorities of India, the dominion authorities and the sponsor commercial bank.

Every rrb operates internal distinctive close by limits. f vital, a rrb can establish branches or groups at places notified via the use of the authorities, which can be commonly adjacent districts. to start with they had been set up with a capital of 1 crore rupees which became raised to 5 crore by rrb modification act of 1987, of the issued capital 50 percentage is subscribed with the useful resource of the crucial authorities, 15 percent via the country government and 35 percent with the useful resource of the sponsor financial institution.

apart from subscribing to the share capital, sponsor banks moreover offer managerial help, help in recruitment and schooling of employees in some unspecified time in the future of the initial duration of its functioning.

**Functions:** every rural close by financial institution is allowed to hold on the business of banking as described within the banking law act, 1949. it can additionally maintain on another business laid out in section 6(1) of the act.

it's miles engaged in granting loans and advances to small and marginal farmers and agricultural laborers’ each on the man or woman degree in addition to in corporations, to cooperative societies which include agricultural advertising and advertising and marketing
societies or farmers provider societies for agricultural and related operations, granting loans and advances to artisans, small entrepreneurs and men and women of small marketers and ladies and men of small way engaged in trade, alternate, company or distinctive production sports activities interior its area of operations.

**Management:** Management of each RRB is vested in a nine member board of directors, headed by a Chairman, appointed by the government of India. While discharging their functions they have to cover the commercial angle, and at the same time follow the directive principle issued by the government. After the RRB Amendment Act of 1987, the following changes have come into force:

- Authorized capital was raised from one crore to Rupees five crores
- The chairman is to be appointed by the concerned sponsor bank in consultation with NABARD
- Sponsor banks have to subscribe to the share capital as well as impart training to personnel, and provide managerial and financial assistance for the first five years of its functioning.
- Amalgamation of two or more RRBs can be done in consultation with NABARD, concerned state government and the sponsor bank.
- Sponsor banks have been empowered to monitor the progress of their RRBs from time to time, to conduct inspections, internal audits and to suggest measures to RRBs wherever necessary.
- As from July 1, 2007 RBI has allowed RRBs to accept foreign currency deposits from NRIs and persons of Indian origin.

**COOPAERATIVE BANKS**

Cooperative banks are a part of the set of institutions, which are engaged in financing rural and agriculture development. The other institutions in this set include the RBI, NABARD, commercial banks and regional rural banks. Cooperative banking is small scale banking carried on a no profit, no loss basis for mutual cooperation and help. Co-operative banks were assigned the important role of delivering of fruits of economic planning at the grass roots level. Cooperative banking structure is viewed as a vehicle for democratization of the Indian financial system. They were conceived to supplant moneylenders and indigenous bankers by providing adequate short-term and long-term institutional credit at reasonable rates of interest.
Cooperative banks originated with the enactment of the Cooperative Credit Societies Act of 1904. A new Act was passed in 1912 which provided for the establishment of the cooperative central banks by a union of primary credit societies, or by a union of primary credit society and individuals. After 1991, a number of reforms have taken place under which licensing of Urban Cooperative Banks has been liberalized greatly, lending and deposit rates of all cooperative banks have been completely freed or deregulated, a cooperative development fund has been set up by NABARD for improvement of managerial systems and skills. UCBs have been allowed to invest in equity/bonds of all India Financial Institutions, PSUs, UTI, CDs of scheduled commercial banks, subject to certain ceilings.

**Features of cooperative banks:**

(i) These banks are government sponsored, government supported and government subsidized financial agencies in India.

(ii) Unlike commercial banks which focus on profits, cooperative banks are organized and managed on principles of cooperation, self help and mutual help. They function on a no profit, no loss basis.

(iii) They perform all the main banking functions but their range of services is narrower than that of commercial banks. However, their geographic coverage is the widest.

(iv) Some of them are scheduled banks but most are unscheduled banks.

(v) They have a federal structure of three-tier linkages and vertical integration.

(vi) Cooperative banks are financial intermediaries only, particularly because a significant amount of their borrowings in from the RBI, NABARD, the central and state governments and cooperative apex institutions.

(vii) There has been shift of cooperative banks from the rural to the urban areas as the urban and non-agricultural business of these banks has grown over the years.

The cooperative banking structure is federal in character, with three-tier linkages between state, district and village level institution. At the state level, we have state cooperative banks, at the district level the central cooperative banks or the district central cooperative banks and then at the village level the primary agricultural credit societies.

**Weaknesses:** Cooperative banks suffer too much dependence on RBI, NABARD and government. They are subject to too much officialization and politicization. Both the quality of loans assets and their recovery are poor. The primary agricultural cooperative societies a vital link in the cooperative credit system is small in size, very weak and many of them are
dormant. The cooperative banks suffer from existence of multiple regulation and control authorities.

Many urban cooperative banks have filed or are in the process of liquidation. Cooperative banks have increasingly been facing competition from commercial banks, LIC, UTI and small savings organizations.

**Difference between Commercial Banks and Cooperative Banks**

The nature scope and functioning of the commercial and cooperative banks vary in numerous ways. The main differences between these banks have been summarized:

<table>
<thead>
<tr>
<th>Commercial Banks</th>
<th>Cooperative Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functions on business lines, for profit</td>
<td>Work on principles of self-help and mutual cooperation for benefit of members</td>
</tr>
<tr>
<td>Are organized as joint stock companies or registered as public corporations under separate acts of parliament</td>
<td>Are established under the cooperative society acts of different states.</td>
</tr>
<tr>
<td>Are organized on unitary basis.</td>
<td>Have a three-tier set-up the state cooperative bank at the apex, the district cooperative bank at the district level and the primary credit societies at the village level</td>
</tr>
<tr>
<td>Branch network is spread far and wide within the country and some banks have set up branches abroad</td>
<td>Area of operation is restricted to a particular local boundary or district or state</td>
</tr>
<tr>
<td>Traditionally have been urban oriented, though now they also finance the rural sector</td>
<td>Are basically rural oriented and have been financing agriculture and allied activities.</td>
</tr>
<tr>
<td>Are governed by all sections of the Banking Regulation Act, 1949</td>
<td>Only some sections of the Act are applicable to them</td>
</tr>
</tbody>
</table>

Rural regions Banks are facilities of the World Bank on an operational level in many regions of India. They were created with a need to serve the particularly in India with less-favored agricultural and bank services base currency. The Regional Rural Banks was establishing branches for the internal processes and their space action could include the cities. The world
of the process of Orr is limited in the world as specified by the government of India to spread one or several areas within the state of the RRB is also carrying out a number of different functions. The ORR arrange many work in the heads, the supply of banking services in rural and semi-urban. The implementation of the Government, as the salaries of the staff, MGNREGA, the use of pensions and so on. Para-Banking deployment provisions such as the changing rooms, throughput and credit cards.

Agriculture is one of the first books of food in India. The number of the poor sections of the population in the areas village areas and also the Indian economy depends on these 60 years. Financing of the agriculture is done by monitoring by the institutions to which the ability to develop in all areas of the economy and agriculture. Agriculture is the importance of finance to increase access to services currency for the farmers and the various companies in the areas of villages. In many cases the farmers in India do not seem to be able to answer expenditure by a small size of holdings, the low productivity, low financial gain and high consumption of domestic demand. In the first days of the agricultural loans is carried out exclusively by the cooperatives development banks and the donors staff. Banks rural regions were presented for terms such as rural specialized establishments for the monetary policy Agriculture by credit too little and minors, agricultural workers farmers, craftsmen and small businesses

Their participation is the control of the government, the authorities and therefore support bank in percent 50:15:35 jointly and severally. The term of office of these establishments monetary rural (a) take the aircraft to the door size of agriculture, in particular in the regions in which bank transactions are not available; (b) creation of weak institutions offered money to the poor people of the society are the only customers of these banks; (c) organization and channeling of the rural savings to support activities within the efficient rural areas; (d) the creation of jobs in the area of the village and (e) supply to the detriment of the offer credit in the village of regions.

1.2 ORGANIZATIONAL STRUCTURE OF THE RRB,S :
The organizational structure of the’ ORR differently

The hierarchy of employees in regional bank

- Board of Directors
- President and Director
- General Director
- Chief Manager/Regional Manager
- Senior Manager
- Manager
• Officer / Assistant Manager
• Under (multi-function)

1.3 **Summary Telangana Grameena bank**

The Bank was founded on 24.03.2006 in connection with four RRB’s to support the State Bank of Hyderabad, namely the Bank Grameena Saraswathi Sri Sri Satavahana Grameena Bank, Sri Rama Grameena Golconda Grameena bank and bank and presented as an Deccan Grameena bank with head office in Hyderabad, by various facilities as a course reasonable interest and best credit facilities, etc. The task of the bank with "provision of banking services and at an affordable price. where the customers by some 100 % monetary integration, approval of customers in rural areas. The site of the Bank to cover the districts Nizamabad, Adilabad, Hyderabad and Ranga Reddy districts of Telangana. The capital stock of the bank is rupees five crores. Paid-up share capital is Rupees four crores. Is carried out by the government of India is the banking sponsor travel concerns Hyderabad and the Government of Andhra Pradesh in the ratio of 50 : 35 : 15 jointly and severally.

1.4 **STATEMENTOF THE PROBLEM:**

The private and the weakest in areas village section persons born in debt, debt, lives in dies in the Liabilities do not reach the rural population: although they are unable to give your life to carry . Through the appropriate channel, regularly facilitation for loans and more banks in the rural area in one of the Villages in India and the Telangana

1.5 **REGIONAL RURAL BANK**

Agriculture is the autonomy of the Indian economy. At 65 % of the population of India is directly dependent on the agriculture and for around 22 % of gross domestic product and employs approximately 62 percent of the population. Approximately 8.56 % in India exports of 43 % of the geographic in India is employed for agriculture. In the past India imports, most of the food. But the agriculture more technical and the use of irrigation and more whole grains, higher return is much multiplied. In India, the largest part of the area of harvest currently no guarantee for the irrigation ; the monsoon takes on an important role in the influence of agricultural production. The agricultural exports in India important export of agricultural products are rice, cashew nuts, coffee, tea, horticultural and floricultural products, etc. Agriculture draws its interpretation of reality is also important for a quotation on request of the connections to the production area. During the 5 years of the agriculture surprising progress within the productivity and the production of cereals, oilseed meals, industrial crops, fruit, vegetables, whole grains, meals poultry and milk products.

India has emerged as the second largest manufacturer of fruit and vegetables in the world
additionally to being the biggest overseas business of cashews. Other Asian countries are the largest producer of milk in the world. Agricultural production in the countries of Asia depends on countless small farmers is the intensity of the efforts and the performance of technical can facilitate by the yields of Acre. Because of the lack of resources and the lack of money loans in time at affordable prices, a large number of farmers, even otherwise ready to the unity of the surface of the impossibility of traveling a few seeds and fertilizers green improves or the introduction of strategies and methods. It is therefore of utmost importance that the needs of the liquidity of the farmers of the unity of the region are properly fulfilled. Until 1947 its independence, lenders and owners were the most important assets loans in the rural area. In the course of the years, the measures for seeable debt decreased the simplification of legislation, gadget of the creditor of licenses and regulations on the use and conversion of land as a security.2also end all limited tenures each in 'zamindari' and 'Regions' ryotwari has discouraged investment using the owner and largest farmers. Deployment of the AISE and loans in good time in truth has therefore commissioned interest as part of a participation of the development of the rural economy. free technical point days credit has bound to things colors or production culture costs critical. emerged 1982 Business Bank for Agriculture and Rural Development (NABARD) is the creation of apex approved with all questions of policy and come up with the measures in the field of loans for agriculture and of economic activity in areas villages replacement in Asian country. The NABARD is a pioneer of APEX refinancing business enterprise for businesses with funding and loans of production in rural regions

1.6 IMPORTANCE OF AGRICULTURE IN INDIA:

Lenders were qualified the only offer loans for agriculture until 1935. You can use the level of interest rates and monitoring of heavy practices during the lending and the ill. As a result, farmers have been difficult to care worn with liabilities and many of them had perpetuated money. It was with the farmers, extensive discontents in addition to these practices and there was in riots. With the adoption of the Federal Reserve Bank of 1934, the law on Central Asia district co-op. cit. The Law on Banks Act on Banks and the use, agricultural loans received the dynamics and there were improvements in agricultural loans. A strong organization has entered into force. Credit to a large extent has become available with low effort interest in simple words, both in relation to the granting of loans and recovery from them. Each banks credit cooperatives advance mainly in the agricultural sector. 1 . The advances banks loans in the short to medium term while the second of advances to banks Loans long. The Bank of the
Federal Reserve Asian because the financial structure of the region's lead in the creation of credit will receive the agriculture by these banks by the emergence of the appropriate policy. Even if the cooperative banks began financing agriculture with its offices in 1930 is actually completely processed impetus in the independence once appropriate law and the policies have been developed. Then loans from the World Bank for Agriculture has created great progress distance from industries in the areas of villages and direct deposit. Fourteen major commercial banks were nationalized in 1969; Co-operative banks was the maximum groups institutional finance opens the agriculture. In the nationalization; it is essential for these banks provide finance for agriculture as an important sector. The Bank has in the directorate general for special programs breeding and growth of a network of banking services throughout the country and began to finance agriculture at the level of the giants. Agriculture Credit non heritable dimension multi-agencies. The development and introduction of the latest technologies and handiness money go hand in hand. At the time of delivery, the "green revolution", "White Revolution" and now "Green Revolution" "Life Finance has an important role. Now, Credit Agriculture, by a concept of the agency is incomes remainThe type and amount of the loans for many tasks are standardized. The many functions of the harvest "Loans"(the short term loans) have jointly. In addition, the farmers receive loans for the purchase of electric motor with pump, tractors and other machines, Fountain of digging wells or drilling, creation of the Lines, pipelines, irrigation in the drops, the planting of crops, acquisition of livestock and feed, poultry, sheep/goats and for other companies allies.

1.7 HISTORY GRAMIN BANK IN INDIA:
Grameena bank were companies in Asian country to ordinal, October 1975. They were created, supports the recommendation of the committee so Narsimham. Reason was that our economic planners knew, although at regional level can facilitate targeted rural banks in the increase of the rural economy. Regional rural banks square indicator is created under the prerequisite of the decision shareholders published on the twenty-sixth month schedule Greg Boards 1975 and the law on the Orr, 1976 with Destination Confirm shareholder loans institutional comfortable for agriculture and other sectors in rural areas. Reforms and mergers introduction by the Asian countries govt. Consultation with the Federal Reserve Bank of India (RBI) and Commercial Bank for Agriculture and Rural Development (NABARD) in the years 1994 to 1995, 2005 to 2006, satisfactory ends with the examination of the key performance indicators such as global diversity of banks and branches, the composition of the capital, deposits, loans, loans and thus the trend of investment. The banks were rural regions with the objectives for the granting of loans and other investments much smaller farmers,
minors and agricultural workers, craftsmen, village and few companies is on the development of agriculture, trade, business and other sectors of employment in areas villages. Initially, the regional rural banks were originally on a couple in October 1975 in the province of Gorakhpur and Moradabad, Bhiwani in Haryana, Jaipur in Rajasthan and Maldain stand. These banks were sponsored by the syndicate bank the bank of the Asian country, the geographical commercial bank, United service is fully and the organization of the banks bank of the Asian country is jointly and severally. The actions of the banks grameena measure square divided into 50:35:15 between the central government higher as well as sponsoring banks, authorities. It square moment almost100 Gramin with branch offices in 593 districts has a reasonable basis for bank services rural record for banks Garmin.

**1.8 OBJECTIVES OF THE STUDY:**

1. To understand the role and importance of Rural Regional Banks in Agriculture & Rural Development
2. To evaluate the role of sponsored banks within the development of RRB’s in Telangana.
3. To evaluate the credit facilities obtainable in Telangana Grameena Bank.
4. To study the services provided by Telangana Grameena Bank to the farmers and its bias the social and economical status of farmers.
5. To find out the problems faced by Telangana Grameena Bank in Agriculture finances

**1.9 Hypothesis:**

1. \(H_01\): There is no significant deference between demographic factors and allocation of finance
2. \(H_{02}\): There is no significant impact of socio-cultural factors on bank finance
3. \(H_{03}\): There is no significant difference in efficiency of managements of RRB’s and facilities and finance allocation to farmers

**1.10 RESEARCH METHODOLOGY:**

- The present study is mainly on the basis of primary and secondary sources of data. Sources: The primary data collected mainly through interviews and questionnaires. The secondary data to be collected mainly from reports of the Reserve Bank of India (RBI) National Bank for Agriculture and Rural Development (NABARD), the bank is checked. Bulletin RBI NABARD, statistical reports, the various annual reports of the Telangana Grameena Bank. In the study of tools simple statistics are used for the analysis of data.
- Research Area: The study is mainly Telangana Grameena Bank Limited. The study is under the branches of the bank in the selective district Adilabad.
• Period of investigation: the duration of the study with relevant, 2015-2016
  2006-07.
• Period of ten years.
• The design of the Research: Research in one of the districts of Telangana state name
district Adilabad from 10 districts were for a population specifically in the context of the
sampling practice.
• Sample design: design concept of the sample as follows:

<table>
<thead>
<tr>
<th>The data of the sample</th>
<th>The sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>The customer (farmers)</td>
<td>850</td>
</tr>
<tr>
<td>The bank employees</td>
<td>150</td>
</tr>
<tr>
<td><strong>The size of the total sample</strong></td>
<td><strong>1000</strong></td>
</tr>
</tbody>
</table>

**Period of Study**
The time was in 2011 and 2015 for the secondary data. The primary data for the time period

**Questionnaire development**
The data by means of a questionnaire can manage. The developed in the following phases:
1. The identification of the variables and the development of the project.
2. Pilot Study
3. Completion of the questionnaire

**The identification of the variables and the creation of the draft:**
Several dimensions of the rural Grameena Telangana Bank in the context of the preferences
of the farmers have been specified as the tag for the study. These variables have been
recognized on the source of the state of research in India and abroad and other sources of
documentation. The statements were measured on a scale of 1 to 5, so that the consumer
better with the two discrimination very satisfied very dissatisfied and an anchor.

**Pilot Study:**
An investigation on 50 farmers and bank employees are thirty five farmers and fifteen
employees of the Bank are to determine the phase of intelligibility and correct the errors and
there are in the questionnaire. There were no difficulties as such. According to the study of
pilot have only minor changes in the financial statements with regard to the language and
come.

1.11 **DATA COLLECTION**
To increase understanding of the behavior of the farmer is decided that a preliminary study to determine the most important of the preferences of farmers and the bankers. It should be an on the spot investigation in some Telangana Grameena bank and farmers in the village. The data collected from the Bank people connected and the loan to the bank. The people were contacted agriculture. The farmers have responded to a survey for the fulfillment of the objectives as the reply was received with the help of a number of objectives at the level of the Linker’s type and the demographic issues. The questionnaire developed for the study carried out for the period from 1. July 2014 to 31. July 2015 was administered to 1 000 farmers (850), the staff of the bank (150).

1.11.1 Data Source
Web sites, annual reports, published articles, print the documents written by experienced people and authors. Thesis of academic research, investigation reports prominent research facilities are for the secondary data. The questionnaire reins own managed by the respondents are used for the analysis of the data of the basic supply.

1.11.2 Data Processing
The information collected when you were separated according to their category and were selected for the potential errors. Later, these data were in the form of quality, converted codes and these codes were seized in the computer in the form. Later, the data in the form of tabular treated with the help of SPSS statistical package. All tables were prepared, the percentage initially by trends, the descriptive statistics were prepared, for all variables.

1.11.3 Data analysis
The statistical tools such as the median, average percentages and techniques such as inference of Chi-square is used for the analysis of data. Factor analysis is also used to make the recognition of the factors are the connection between a number of variables. The correlation is used, from between the variables. The regression analysis, the use of multiple steps back for an application descriptive decline in so many calls for control of the variable confusion write review of the inclusion of other variables. The rear steps diverse also used as an instrument for inference when testing hypotheses and appreciate the values of the population. Test of Cronbach”s alpha was also used to verify the reliability of the data.

1.11.4 Descriptive Study
Personal conversation with the users connected with the banks, could also the views of bankers and farmers think about give and take of loans. In addition to raising awareness of the information on different factors contributing to consumer preferences collected by questionnaire.
1.11.5 Analytical study
The secondary data was carried out on the web sites of companies, journals and magazines, the treatment of conferences and seminars and books. Also collected in discussions with experts and working conditions of the population in similar fields.

1.11.6 Organization of study
The entire study was divided into eight chapters.

Chapter 1: INTRODUCTION
This chapter is suited to dealing with the introduction of the terms and definitions are important and relevant important for the understanding of the Land banks in areas with particular reference Telangana Grameena Bank. It is also an example for the design of the data sources, the methodology and the scope of the study, the limits and the proposed presentation.

Chapter 2: REVIEW OF LITERATURE
This chapter contains a magazine literature on the for the rural regions and banks Bank Grameena

Chapter 3 OVERVIEW OF BANKING SECTOR IN INDIA
This chapter shows the theoretical understanding of the rural regions and the Bank loans to farmers as agricultural loans. The preference of the farmers, the Bank financed Grameena.

Chapter 4 REGIONAL RURAL BANKS IN INDIA
This chapter explains the history Grameena bank with particular reference to the Telangana Grameena Bank.

CHAPTER 5: AN OVERVIEW OF THE TELANGANA GRAMEENA BANK
This chapter includes the study presents the main results of the study presents general conclusions and offers little recommendations. It underlines the contribution of this study. It also shows the research areas.

Chapter 6: DATA ANALYSIS AND INTERPRETATION
This chapter includes the study contains the main results of the study presents general conclusions and offers little recommendations. It underlines the contribution of this study. It also shows the research areas.

Chapter 7: ANOVA

Chapter 8: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

1.11.7 LIMITATION OF THE STUDY
The study is an attempt to pull the preferences of the customer and research has systematically. There are still some restrictions as:
1.11.8 The extent and the limits of the study:
The study refers to the period of 10 years from 2006 - 007 2015 2016. The study refers to the evaluation of the performance and the operational aspects of the Telangana Grameena Bank. The scope of the study is limited to the analysis of capital, deposits, investments and loans, throughput, profits and other parameters NPS loans etc. The present study also covers the performance of Telangana Grameena geographically limited to the Bank with the state of Telangana only. The study only the banks Grameena Telangana is located in the district and farmers, the disposal loans of these banks for the activities of agriculture and related to the detriment of the owners and tenants, the culture were made, apply for the data collection. The results have not passed with the other areas of other banks is perhaps a limitation of the study.